

**AGENDA FOR THE  
PENSION REFORM COMMITTEE  
MEETING OF  
June 22, 2004  
3:00 PM – 6:00 PM Meeting**

**401 B Street  
Conference Room, 4<sup>th</sup> Floor**

**MINUTES**

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**THE REGULAR MEETINGS OF THE PENSION REFORM COMMITTEE ARE  
SCHEDULED FOR EVERY TUESDAY AT 3:00 PM AT 401 B STREET, 4<sup>TH</sup> FLOOR**

THE OPINIONS AND VIEWS OF THE COMMITTEE OR ITS MEMBERS, AND PRESENTATIONS MADE AND DOCUMENTS PROVIDED TO THE COMMITTEE OR ITS MEMBERS, MAY CONTAIN PROJECTIONS, FORECASTS, ASSUMPTIONS, EXPRESSIONS OF OPINIONS, ESTIMATES AND OTHER BACKWARD-LOOKING RECONSTRUCTIONS OR FORWARD-LOOKING STATEMENTS, ARE NOT TO BE CONSTRUED AS REPRESENTATIONS OF FACT, AND ARE QUALIFIED IN THEIR ENTIRETY BY THIS CAUTIONARY STATEMENT. ONLY STATEMENTS MADE BY THE CITY IN AN OFFICIAL RELEASE OR SUBSEQUENT NOTICE OR ANNUAL REPORT, PUBLISHED IN A FINANCIAL NEWSPAPER OF GENERAL CIRCULATION AND/OR FILED WITH THE MSRB OR THE NRMSIRs ARE AUTHORIZED BY THE CITY. THE CITY SHALL NOT BE RESPONSIBLE FOR THE ACCURACY, COMPLETENESS OR FAIRNESS OF UNAUTHORIZED STATEMENTS.

**Item 1:        Call to Order**

**Item 2:        Roll Call**

<u>Members Present</u>	<u>Members Absent</u>	<u>Staff Present</u>
April Boling	Dick Vortmann	Patricia Frazier
Robert Butterfield	Kathleen Walsh-Rotto	Chris Morris
Steve Austin		Larry Grissom, SDCERS Staff
Judith Italiano		Mary Braunwarth
William Sheffler		Pam Holmberg
Stanley Elmore		
Tim Considine		

**Item 3:        Approval of Minutes**

There was a motion for approval of the minutes for the June 8, 2004 Pension Reform Committee (Committee) meeting from Mr. Elmore. The motion was seconded by Mr. Sheffler and passed unanimously. There was a motion for approval of the minutes for the June 15, 2004 Committee meeting from Mr. Elmore. The motion was seconded by Mr. Sheffler and passed unanimously.

**Item 4: Discussion on Actuarial Study**

Rick Roeder will work with Mary Braunwarth to coordinate the distribution of the report summarizing all of the Pension Reform Committee's studies completed by Mr. Roeder. Mr. Roeder reported that he is working to complete his study of the cost of plan changes and hopes to have that report completed within two weeks.

**Item 6: Discussion on Actuarial Assumptions**

Ms. Boling asked the Committee to discuss and make recommendations for the final report on two actuarial assumptions currently used by the system. The two issues to be discussed were: 1. Should the system change from Projected Unit Credit (PUC) to Entry Age Normal (EAN)? 2. Should the assumed actuarial rate of return be reduced from 8% to 7.75%? Ms. Boling said it was her understanding that if the contingent benefits were removed from the earnings, there would be no need to lower the assumed rate. Mr. Roeder agreed. The system has been able to attain the 8% earnings rate and the actuary's recommendation to lower the rate was to allow for the cost of the contingent benefits. There was a motion from Mr. Sheffler and seconded by Mr. Austin to change the actuarial method for funding the pension plan from Projected Unit Credit to Entry Age Normal starting on July 1, 2005 (Fiscal Year 2006.) The motion was discussed and passed unanimously. There was a motion from Mr. Considine and seconded by Mr. Sheffler to keep the assumed earnings rate at 8% if the Committee's recommendation on funding the contingent benefits is implemented, otherwise, reduce the assumed earnings rate to 7.75%. The Committee discussed the motion and it passed unanimously.

**Item 5: Discussion on Retiree Health Care**

Mr. Roeder walked the Committee through his report on retiree health care (Attachment 1). The Committee discussed the report, the cost of the plan and vesting of health benefits. The Committee will recommend to the Council that the retiree health care cost be segregated from the retirement costs and be funded and accounted for separately, thereby being removed from the waterfall. Mr. Considine made a motion, seconded by Mr. Austin, that if there is an actuarial deficit in the separate retiree health care plan, that deficit should be funded on no greater than a fifteen year amortization schedule. The motion was discussed and passed unanimously. There was discussion on the Governmental Accounting Standards Board (GASB) Statement No. 43 regarding the financial reporting of post employment benefit plans other than pension plans (Attachment 2.) Mr. Austin made a motion that the Committee recommend that the City adopt GASB 43 standards at the beginning of Fiscal Year 2005. Mr. Considine seconded the motion. There was discussion of the motion and the implications of GASB 43. The motion passed unanimously.

**Item 8: Discussion on City Council Presentation**

Ms. Boling reported that the Committee was scheduled to make a presentation on their findings to City Council on June 28. She had hoped to have final recommendations for them by this date, but the Committee had not progressed to that point. She discussed presenting Council with financial recommendations on June 28 and returning with the final report and recommendations at a later date. Committee members expressed their desire to deliver the final report and recommendations at the same time and also to have input into the presentation. It was decided that Ms. Boling would postpone the June 28 presentation and inform the Mayor of the

Committee's intention of presenting to Council, perhaps on two successive days, their final report and recommendations.

The Committee's proposed Charter changes will go before the Rules Committee on Wednesday, June 30 at 9:00. Ms. Boling encouraged all members to attend.

Ms. Boling said she believed the Committee had completed the outline for its final report. She will compose a draft of the report and distribute it to all members for review and comment. She reminded the Committee about the restrictions of the Brown Act and the importance of keeping all correspondence to one individual rather than all members of the Committee. The City Attorney, Chris Morris, requested to be copied on all correspondence. The Committee will suspend meeting until the final report has taken form and is ready for discussion. The meeting of June 29 was cancelled. She asked all members to keep their Tuesday afternoons open and to report any potential meeting conflicts to Ms. Braunwarth.

#### **Item 7:        Discussion on Final Report**

Mr. Butterfield made a motion that the Committee reconsider the June 8 motion to change the disability requirement definition to the Social Security definition of total disability for General and Legislative members only. The motion was seconded by Ms. Italiano. There was discussion of the motion and Mr. Butterfield explained his confusion on the issue at the time of the vote. The Committee voted in favor of reconsidering the motion with Mr. Austin, Ms. Boling, Mr. Butterfield, Mr. Elmore and Ms. Italiano in favor and Mr. Considine and Mr. Sheffler opposed. The Committee discussed the original motion and voted. The motion failed with Mr. Considine and Mr. Sheffler in favor and Mr. Austin, Ms. Boling, Mr. Butterfield, Mr. Elmore and Ms. Italiano opposed. Ms. Italiano made a motion that the City adopt uniform and more stringent standards for disability retirement and coordinate with workers compensation. The motion was seconded by Mr. Elmore. The motion was discussed and passed unanimously.

Since the new motion did not specify General, Legislative or Safety, it was discussed whether the June 8 motion to recommend the disability requirement definition for Safety members be studied was necessary. Mr. Butterfield made a motion that the June 8 motion regarding disability retirement for Safety be reconsidered. The motion was seconded by Mr. Considine, was discussed and passed unanimously. The Committee discussed the original motion and voted. The motion failed unanimously.

Mr. Butterfield made a motion to reconsider the motion of June 8 to reduce the service to be credited by 20%, which would amount to 2.0% for General, 2.4% for Safety and 2.8% for Legislative. The motion was seconded by Mr. Elmore. Mr. Butterfield said he had not considered that Safety members do not have SPSP when he had voted. He believed their benefits were reduced at a higher percentage because of that. The members discussed the motion and voted. The vote for reconsideration failed with Mr. Butterfield, Mr. Elmore and Ms. Italiano in favor and Mr. Austin, Ms. Boling, Mr. Considine and Mr. Sheffler opposed. The original motion stands.

#### **Item 9:        New Business**

There was no new business.

**Item 10:       Comments by Committee Chairperson**

There were no comments by the Committee Chairperson

**Item 11:       Comments by Committee Members**

Ms. Italiano asked if the final report would reflect the Committee's vote on the various recommendations. Ms. Boling indicated that it was not her intention to include the vote count, but she understands there will be a minority report that will indicate the differences of opinion.

**Item 12:       Non-Agenda Public Comment**

Joe Flynn expressed his gratitude to the Committee. He believes the Committee is doing a fine job researching the system and devising thoughtful solutions. He congratulated them on a job well done and thanked them for their hard work.

**Item 13:       Adjournment**

The meeting was adjourned at 5:30 PM.